ACQUISITION OF JETLEE SHIPBUILDING & ENGINEERING PTE LTD

1. INTRODUCTION

1.1 The board of directors (the "**Board**") of Vallianz Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has, together with its wholly-owned subsidiary Vallianz Shipbuilding & Engineering Pte. Ltd. ("**VSE**"), on 19 September 2014 entered into a conditional sale and purchase agreement ("**SPA**") with (i) Ng & Sons Investment Pte Ltd, (ii) Xu Yuan Holdings Pte. Ltd., (iii) Chan Kwan Bian, (iv) Huang Hongtu, (v) Ng Chee Keong, (vi) Ng Beng Keong, (vii) Teo Guo Ping and (viii) Kwee Lay Hui (each, a "**Vendor**" and collectively, the "**Vendors**"), for the acquisition of the entire issued and paid-up shares of Jetlee Shipbuilding & Engineering Pte Ltd ("**Jetlee**") by VSE (the "**Acquisition**").

1.2 Jetlee holds 99% of the issued and paid-up share capital of PT United Sindo Perkasa ("**PTUSP**", and together with Jetlee, the "**Target Group**" or "**Target Companies**"), a limited liability company incorporated in Indonesia, with the remaining 1% held by an unrelated third party. In turn, PTUSP owns a shipyard located at Sub-District of Kabil, District of Nongsa, Batam City, Kepulauan Riau Province, Indonesia (the "**Marine Base**").

2. INFORMATION ON THE TARGET GROUP AND THE MARINE BASE

2.1 Jetlee

Jetlee is a limited private company incorporated in Singapore, and currently holds six (6) wholly-owned subsidiaries: (i) JY Engineering & Construction Pte Ltd; (ii) Inter-Asia Technologies Pte Ltd; (iii) JNP Shipping Pte Ltd; (iv) PTUSP; (v) PT Adi Batama Perkasa; and (vi) PT Jan Sanjaya Pukasa (Jetlee, together with its subsidiaries, the "**Jetlee Group**"). The Jetlee Group provides marine and engineering services to the major shipyards and plant owners in Singapore and Batam, Indonesia.

The subsidiaries of the Jetlee Group other than PTUSP ("**Excluded Jetlee Subsidiaries**"), do not form part of the proposed Acquisition, and will be divested by Jetlee. Please refer to paragraph 3 herein for details.

2.2 PTUSP

PTUSP is a limited liability company incorporated in Indonesia in 2006 to own and develop the land at Sub-District of Kabil, District of Nongsa, Batam City, Kepulauan Riau Province, Indonesia into a fabrication and engineering yard to support the engineering and marine business of the Jetlee Group.

2.3 The Marine Base

The Marine Base is located at Jalan Pelabuhan Lama, Sub-District of Kabil, District of Nongsa, Batam City, Kepulauan Riau Province, Indonesia, near to the Kabil Offshore Base cluster. The land allocated is about 8.8 hectares in size with a water front of about 390m in length. Presently, the Marine Base has an extensive range of yard equipment including crawler cranes, welding sets, generators and compressors for its yard operations.

3. PRINCIPAL TERMS OF THE SPA

The principal terms of the SPA are as follows:

3.1 Consideration - The aggregate consideration payable by VSE is S$19.78 million, which shall be satisfied by the allotment and issue of 143,333,333 ordinary shares in the capital of the Company, to the Vendors on completion ("**Consideration Shares**"), in the proportions against each Vendors' shareholding in Jetlee as set out below:

Names of Vendors	**Shareholding Percentage**	**Number of Consideration Shares to be allotted and issued**
Ng & Sons Investment Pte Ltd	40%	57,333,622
Ng Chee Keong	No direct shareholdings in the Company(1)	Not applicable
Ng Beng Keong	No direct shareholdings in the Company(1)	Not applicable
Xu Yuan Holdings Pte. Ltd.	20%	28,666,398
Teo Guo Ping	No direct shareholdings in the Company(2)	Not applicable
Kwee Lay Hui	No direct shareholdings in the Company(2)	Not applicable
Chan Kwan Bian	30%	43,000,165
Huang Hongtu	10%	14,333,148
Total	**100%**	**143,333,333**

Notes:

(1) Ng Chee Keong and Ng Beng Keong collectively hold, legally and beneficially, 100% of the issued and paid up shares in the share capital of Ng & Sons Investment Pte Ltd.

(2) Teo Guo Ping and Kwee Lay Hui collectively hold, legally and beneficially, 100% of the issued and paid up shares in the share capital of Xu Yuan Holdings Pte. Ltd..

The issue price per Consideration Share is S$0.138 ("**Issue Price**"), which represents a 23.7% premium to the weighted average price for trades done of the shares of the Company on the SGX-ST for the full Market Day on the date of signing the SPA ("**Execution Date**").

The Consideration was arrived at on a willing seller willing buyer basis after taking into account various factors such as the existing assets of the Target Group, the valuation of the Marine Base and certain equipment and financial position of the Target Group.

The allotment and issue of Consideration Shares would not result in a transfer of controlling interest in the Company.

Pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**"), at the annual general meeting of the Company held on 28 April 2014 (the "**2014 AGM**"), the Shareholders passed a resolution (the "**Resolution**") authorising the directors of the Company (the "**Directors**") to allot and issue shares and convertible securities in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to the Resolution) to be allotted and issued pursuant to the Resolution shall not exceed 100% of the issued shares in the capital of the Company at the time of the passing of the Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a *pro rata* basis to all shareholders of the Company shall not exceed 50% of the issued shares in the capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to the Resolution, until the issuance of such shares in accordance with the terms of such convertible securities (the "**2014 General Mandate**"). On the date of the 2014 AGM on which the 2014 General Mandate was granted, the Company has 2,114,412,122 issued shares (excluding treasury shares).

On 25 June 2014, pursuant to the 2014 General Mandate, the Company issued 400,000,000 Shares at S$0.13545 and raised net proceeds of US$41.80 million. Save for the foregoing, the Company has not issued any further Shares pursuant to the 2014 General Mandate. As such, as at the date hereof, subsequent to the adjustments as permitted under Rule 806(3) of the Listing Manual of the SGX-ST, the maximum number of Shares that can be issued pursuant to the 2014 General Mandate, other than on a *pro rata* basis, is 1,714,412,122 Shares.

As such, the allotment and issue of the Consideration Shares will be made under the 2014 General Mandate.

3.2 Moratorium Undertaking – Under the terms of the SPA, the following Vendors (i) Ng & Sons Investment Pte Ltd, (ii) Xu Yuan Holdings Pte. Ltd., (iii) Chan Kwan Bian, and (iv) Huang Hongtu shall, and shall procure that upon receipt, by the Vendors in which such Ultimate Vendor (as defined below) holds shareholding interests in, of the Consideration Shares in accordance with their respective shareholding percentage in Jetlee, undertake not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, 50% of such Vendors' entitlement to the Consideration Shares, for a period of six (6) months after the date of completion ("**Completion Date**") of the Acquisition ("**Moratorium**").

Additionally, each of Ng Chee Keong and Ng Beng Keong (who collectively own the entire issued and paid up share capital of Ng & Sons Investment Pte Ltd), as well as each of Teo Guo Ping and Kwee Lay Hui (who collectively own the entire issued and paid up share capital of Xu Yuan Holdings Pte. Ltd.) (each an "**Ultimate Vendor**") undertakes (i) to procure the Moratorium of the Vendor which such Ultimate Vendor holds shareholdings interests in, and (ii) not to directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any of the shares of the Vendor in which such Ultimate Vendor holds shareholding interests in, or allow the subscription, allotment or issue of new shares in the capital of such Vendor, for a period of six (6) months after Completion Date.

3.3 Divestments - Under the terms of the SPA, the Acquisition does not include the Excluded Jetlee Subsidiaries and a property owned by Jetlee at 46 Tuas View Square Singapore 377774 ("**Excluded Property**"), and the Vendors undertake to use best endeavours to procure the divestment of the aforementioned to be completed as soon as practicable. The net proceeds derived from such divestment shall be paid directly to Vendors by Jetlee.

3.4 Conditions Precedent – The Acquisition is conditional on the fulfillment of, *inter alia*, the following conditions precedent ("**Conditions Precedent**") on or before the date falling one month after the date of the SPA ("**Long-Stop Date**") (unless varied by in part of in whole by VSE):

(a) approval for the allotment and issue of the Consideration Shares (to the extent required by or desirable for the purposes of the requirements of the SGX-ST, the Listing Manual or all other relevant laws applicable to the Company) to the Vendors;

(b) all licences, authorisations, orders, grants, confirmations, permissions, registrations, consents and other approvals deemed necessary or desirable by VSE in respect of the Acquisition to be obtained by the Target Companies, having been obtained from the appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies in all relevant jurisdictions on terms reasonably satisfactory to VSE and such licences, authorisations, orders, grants, confirmations, permissions, registrations, consents and other approvals continuing to remain in full force and effect up to the Completion Date;

(c) where the terms of any contracts entered into by or in relation to the Target Companies (including but not limited to any policies of insurance or banking and finance facilities taken up by any of the Target Companies) contain any restrictions or prohibition on the change in control of the shareholdings, management (including the board of directors and commissioners of PTUSP) or ownership of the Target Companies or include any right to terminate exercisable prior to or as a result of any matter contemplated by the SPA (including but not limited to the Acquisition and/or the Divestments), delivery by the Vendors to VSE of a written confirmation in a form and on terms (if any) satisfactory to VSE by the counterparts thereto, of the waiver of such restriction or prohibition in relation to any such change arising from the any of the matters or transactions under the SPA or of any such right to terminate;

(d) the settlement or discharge of all inter-company loans (if any) between Jetlee or any of Jetlee's related corporations, shareholders' advances and all obligations of Jetlee in relation thereto, and the discharge of, or amendment to, all loan, credit or finance facilities for the provision of credit or finances to any of the Divested Jetlee Subsidiaries and for which any of the Target Companies is a primary obligor or has furnished a guarantee;

(e) there being no adverse proceedings pending or threatened against the Target Companies, VSE or the Vendors that might reasonably be expected to impair or prevent the completion of the Acquisition and/or the Divestments, or cause a material adverse change in the Target Companies, VSE or the Vendors from the Execution Date up to and including Completion Date;

(f) save in respect of the Divestments, the business of the Target Companies having at all times been carried on in the ordinary course of business, consistent with past practice, and there having been no material adverse change in the business, assets and liabilities of the Target Companies since the Execution Date up to and including Completion Date; and

(g) all requirements under law and the listing rules of the SGX-ST as deemed applicable by VSE to the Acquisition being complied with, and all consents or approvals of third parties, government, regulatory body or any competent authority having jurisdiction over the Acquisition and/or the Divestments as VSE deems necessary having been obtained.

4. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

4.1 The relative figures computed on the bases set out in Rule 1006 of the Catalist Rules in respect of the Acquisition and based on the latest announced unaudited financial statements of the Group for the six (6) months period ended 30 June 2014 ("**Latest Announced Financial Statements**") are as follows:

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	Not applicable
Rule 1006(b)	Net profits attributable to the acquisition of the Target Group, compared with the Group's net profits	2.3%[(1)]

Rule 1006(c)	The aggregate value of the Consideration to be given, compared to the Company's market capitalization based on the total number of issued shares excluding treasury shares	7.0%[(2)]
Rule 1006(d)	Number of Consideration Shares to be issued by the Company, compared with the number of equity securities previously in issue	5.7%[(3)]
Rule 1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

(1) For the six (6) months ended 30 June 2014, the net profits attributable to the Target Group is approximately US$280,000. Based on the Latest Announced Financial Statements, the net profit of the Group is approximately US$12.06 million;

(2) Based on the Consideration of S$19.78 million, and the issued share capital of the Company of 2,523,579,789 ordinary shares in the capital of the Company and the weighted average price of such shares transacted on the Catalist Board of the SGX-ST on 19 September 2014 (being the market day preceding the date of the SPA on which the shares of the Company were traded); and

(3) Based on the aggregate Consideration Shares of 143,333,333 and the issued share capital of the Company of 2,523,579,789 ordinary shares in the capital of the Company.

As the relative figure in Rule 1006(c) and Rule 1006(d) computed on the basis set out in Rule 1006 of the Catalist Rules above exceeds 5% but falls below 75%, the Acquisition constitutes a "discloseable transaction" under Chapter 10 of the Catalist Rules.

5. RATIONALE FOR THE ACQUISITION

With the growing size of the vessel fleet in its aim to become a leading integrated offshore marine solutions services provider, the Company is desirous of acquiring the Marine Base via the acquisition of Jetlee for the purpose of establishing a marine base for its vessel fleet and further enhancing the ability of the Company to provide marine support services to its customers in the offshore oil and gas industry.

6. FINANCIAL EFFECTS OF THE ACQUISITION

6.1 Bases and Assumptions

The pro forma financial effects of the Acquisition on the (i) net profits attributable to the interests in Jetlee to be acquired by VSE; (ii) net tangible assets ("**NTA**") per share of the Company ("**Share**"); and (iii) earnings per Share ("**EPS**") are set out below.

The pro forma financial effects for the Acquisition have been prepared based on the audited financial statements of the Group for the financial year ended 31 December 2013 and the pro forma consolidated financial statements of the Target Group for the six (6) months period ended 30 June 2014, which have been prepared on a going concern basis, and are purely **for illustrative purposes only and do not necessarily reflect the actual future results and financial position of the Group post-Acquisition**.

For the purpose of illustrating the financial effects of the Acquisition, the financial effects of the Acquisition are computed based on, *inter alia*, the following assumptions:

(a) the financial effects on the Group's NTA attributable to the equity holders of the Company and the NTA per Share are computed assuming that Acquisition was completed on 31 December 2013; and

(b) the financial effects on the Group's earnings attributable to the equity holders of the Company and EPS are computed assuming that Acquisition was completed on 1 January 2013.

7. Net profits attributable to the interests in Jetlee to be acquired by VSE

The net profits attributable to the interests in Jetlee to be acquired by VSE would be approximately US$280,000 for the six (6) months ended 30 June 2014.

8. NTA

(US$'000)	**Before the Acquisition**	**After the Acquisition**
NTA attributable to the equity holders of the Company	42,730	59,672
Number of Shares ('000)	1,189,412	1,332,745
NTA per Share (US$ cents)	3.59	4.48

9. Earnings

(US$'000)	**Before the Acquisition**	**After the Acquisition**
Profit attributable to Shareholders	7,493	9,378
Number of Shares ('000)	1,189,412	1,332,745
Earnings per Share (US$ cents)	0.63	0.70

10. <u>FURTHER INFORMATION</u>

10.1 <u>Directors' Service Contracts</u> – No person is proposed to be appointed as a Director of the Company in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10.2 <u>Interests of Directors and Controlling Shareholders of the Company</u> – None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be available for inspection during normal business hours at the Company's registered office at 12 International Business Park, Swiber@IBP, #03-02, Singapore 609920 for a period of three (3) months from the date of this Announcement.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Acquisition, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading.

Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

13. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Acquisition as appropriate or when there are further developments on the same.

14. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their Shares as there is no certainty or assurance as at the date of this Announcement that the Acquisition will proceed to completion, as the completion is subject to, *inter alia*, the fulfillment of all the conditions precedent in the SPA. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

By Order of the Board

Yeo Chee Neng
Chief Executive Officer

22 September 2014

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company's Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Bernard Lui.
Telephone number: 6389 3000 Email: bernard.lui@stamfordlaw.com.sg.